

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** April 4, 2007

**Bill Number:** S.129

**Author:** Campsen

**Committee Requesting Impact:** Finance

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### Bill Summary

A bill to amend Section [12-6-3515](#), as amended, relating to the state income tax credit allowed for donations of a gift of land for conservation or a qualified conservation contribution, so as to provide that the credit equals twenty-five percent of the total value of the gift rather than twenty-five percent of the charitable deduction for the gift allowed on the taxpayer's federal income tax return, to increase the maximum annual credit allowed a taxpayer from \$52,500 to \$150,000, and to adjust the maximum annual credit for increases in the consumer price index, and to delete obsolete provisions.

### REVENUE IMPACT<sup>1/</sup>

This bill is expected to reduce General Fund income tax revenue by \$5,591,972 in FY 2007-08 from the increased value of the credit offsetting additional tax liabilities. We also expect an additional \$287,759 reduction in General Fund income tax revenue in FY 2008-09 due to the proposed annual inflation adjustment of the maximum annual credit.

### Explanation

South Carolina taxpayers may claim an income tax credit equal to 25% of the deduction attributable to the gift of land for conservation. The current credit cannot exceed \$250 per acre and the maximum annual credit may not exceed \$52,500 per year. This credit was enacted in 2000, effective for tax years beginning after June 1, 2001. Taxpayers claimed credits totaling \$1,384,241, \$1,666,697, \$3,131,228, and \$1,996,166 in FY 2002-03 through FY 2005-06, respectively. This bill amends the credit to allow taxpayers to claim 25% of the total value of the gift rather than 25% of the federal deduction and increases the maximum annual credit to \$150,000. To estimate the revenue impact of this bill we utilized a sample of South Carolina tax returns claiming the conservation credit in 2005 and applied the sample's results to the taxpayers expected to claim this credit in FY 2007-08. Based on our recalculations of the individual taxpayers' liabilities under the proposed legislation, we expect changing the basis of the credit to 25% of the total value of the gift and increasing the maximum annual credit to \$150,000 would decrease these taxpayers tax liabilities by \$2,932,200 in FY 2007-08. The taxpayers in the sample also increased their credit carry forwards by \$26,597,720 from an estimated \$21,400,645 in FY 2007-08 due to the modification of the basis of the credit and the increased maximum annual credit. We anticipate this increased inventory of credit carry forwards will further entice taxpayers to transfer or sell their unused credits. We expect the transfer of 10% of these credits to reduce income tax liabilities of other taxpayers by an additional \$2,659,772 in FY 2007-08. We expect the revenue impact from the increased value and transfers of the credit to reduce General Fund income tax revenue by a total of \$5,591,972 in FY 2007-08. This bill also proposes that the maximum annual credit be adjusted by the amount of the increase in the consumer price index beginning for taxable years after 2007. We expect the proposed annual inflation adjustment of the maximum annual credit will reduce General Fund income tax revenue in FY 2008-09 by an additional \$287,759.

/s/ WILLIAM C. GILLESPIE

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Shuford

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.